

TABLE OF CONTENTS

1. Letter of Transmittal
2. Introduction (?)
3. Problem Statement
4. Strategy for Meeting Problem
 - I. Increasing our knowledge of solutions to urban problems
 - II. Federal action to strengthen state and local ability for meeting the problem of urban disparities
 - III. Focusing and increasing the level of Federal assistance directed at urban disparities
 - IV. Reforming the administration of Federal urban programs to provide simplification flexibility and decentralization
 - V. Increasing the prospects for integration in metropolitan areas

INTRODUCTION

America and its communities are changing with unsettling rapidity.

Much of this change has been healthy; and many of the problems it has caused tend to evoke their own solutions. This country - despite its transitional strains and its freely voiced complaints - has an immense capacity for self-correction.

But for most of America's cities and an increasing number of the people living in them change has meant deterioration, continued unemployment, and growing alienation from the rest of urban society. No self-correction promises to rebuild our cities and reunite our urban population - and, if present problems are transitional, they are more likely to be succeeded by even greater difficulties than by natural solutions.

There is always a temptation - and a pressure - to overreact: to give equal ear to every complaint and to chase off after every problem.

We believe, however, that some problems of American cities are of such transcending importance as to command a national response on a grand scale. We believe further that the next 5 years will be a critical last chance to develop the capacity to alter present trends of urban development. For we are building toward a confrontation between Negro and white, between the mainstream and the disaffected, and between the affluent and the poor - a confrontation whose symptoms already are apparent in the sporadic and ominous violence which flares up across the nation in our urban centers both large and small.

We foresee a time when this militancy will engage a larger share of central city populations. Their demands for employment opportunities, compensatory education, and other services are increasing, while the economy of the city and its ability to respond are in decline.

Only the President of the United States can lead the national effort which is required to change this pattern. And, he will need strong and committed allies and new and flexible instruments of policy.

Thus, the task force believes that the first priorities for public action in urban America are related to the growing disparity between city and suburb - a disparity which is expressed in the segregation between white and black, the gap between income in central city and in suburb, the uneven economic growth in our metropolitan areas, and in our capacity for response to the problems of central cities.

The task force on cities decided early in its deliberations to focus on these urban disparities.

We have divided our report into two major components. The first is a straightforward description of urban disparities, by race, income, and economic development. The second involves a series of recommendations - some modest, some sweeping - intended to increase sharply our ability to deal with urban problems creatively, responsively, and on a larger scale than is presently possible.

While we believe that the sorts of programs we are recommending should have the highest national priority, we recognize how politically and practically difficult it is to spend a larger portion of our resources on

the urban poor and the central cities. This is true fundamentally because the present system of urban development works quite well for most people. Most Americans are happy in suburbs, they have done well in the system, and they look forward to doing better. Our report focuses on the disaffected and they are few. Their potential impact on American society, however, is enormous.

THE PROBLEM

The overriding problem of our cities is segregation by race and income. There are no urban solutions of any validity which do not deal directly with the questions posed by this segregation.*

The facts are these: _____ of the total population of our central cities is Negro, and _____ of these Negroes have incomes in the poverty range. Within 5 years, assuming present population trends and allowing for current levels and even greater effectiveness of ameliorative public programs, the proportion of Negroes to central city population will rise to _____, with a _____ percentage remaining in poverty. By 1978, both proportions will be _____. By 1983 our central city population will be _____ Negro, nearly two-fifths of them poor.

These are percentages of the total population of all our central cities. By 1973 at least ten of our major cities will be predominantly Negro; by 1983, at least twenty, including Chicago, Philadelphia, Cleveland, Detroit and Baltimore.

This development might be cause for optimism rather than concern, since American minority groups traditionally have sought and won political power in cities. In some cases their ascendancy was

*Our report discusses this segregation as it affects Negroes.

In many cities, of course, we are referring to a problem which includes Negroes and Mexican Americans or Negroes and Puerto Ricans. We have included these groups in our cost calculations (see below), since many of their problems - low income, poor educational achievement, substandard housing, high birth rates, etc. - are similar to those of central city Negro and white poor.

accompanied by municipal corruption and inefficiency, but overall the experience has been a healthy one for our pluralistic political system. But unlike the others the Negro ascendancy may not be accompanied by economic power, dispersion and assimilation. This traditional function of the city simply has not worked as well for Negroes. We therefore fear that the changes in city life and political control implicit in the above population trends will not parallel the coming to power of other immigrant groups. It may, in fact, increase the possibility of a dangerous confrontation which divides American society along city-suburban lines. We do not know how high the probability of this confrontation is but we are certain that it is high enough to be a cause for concern.

Its potential dangers lie in the following:

1. The growing disaffection and alienation of Negro ghetto residents and increasing militancy which results, together with increasing violence in cities.
2. The still powerful force of out-migration by white middle-class residents from the city.
3. The growing disparities in income and economic growth between city and suburb.
4. The inability of moderate political leadership to respond to the pressures of larger and larger poor populations.

The obvious response to all this is that we need more integration and we need it right away. Of the Negroes who live in cities _____ percent are segregated by race. We thus recommend integration in cities not only because it is morally right and not only because of the reasons listed above, but also because of the two cultures which are developing in urban society along racial lines. The demands of the one and the resistance of the other portend continued violence which ultimately will test severely the values of American society.

Integration, if it does nothing else, may help to reduce tensions. It also may serve to prepare whites for the larger integration which must come in the future.

The sheer magnitude of the problem is staggering. Our population models tell us that simply holding the size of central city ghettos to their present size will require the movement of approximately 600,000 Negroes a year into predominantly white suburbs. Such a figure would represent from 10 to 15 times the present rate of Negro out-migration. Our crude cost calculations for providing even a minimum acceptable level of social services in all central city ghettos indicate federal expenditure patterns of geometric and unlikely proportions.

The disparities between city and suburb go far beyond the race and income of their populations. Every available indicator of economic activity dramatizes the deteriorating competitive position

of the central city (there are of course substantial differences between cities - what is true of investment in Newark is hardly descriptive of Los Angeles). In several investment categories, selected cities are lagging behind the rest of the nation by a factor of from two to three. Specifically:

- Retail establishments increased by 7% for the Nation but declined by 9% in these central cities.
- Manufacturing value added increased between 1947 and 1958 by 96% for the rest of the Nation, but by only 41% in cities.
- Per capita income changes in city relative to suburb.
- Decline in manufacturing jobs in cities and suburban growth in employment.
- Predicted job gap.
- Increasing welfare costs.

It has become painfully clear that jobs, investment and services are by-passing the cities at a rate which seriously inhibits the cities' capacity for meeting problems which grow in magnitude and nastiness.

The above might be altered radically by changes in population trends or public attitudes. Such changes, however, are both unlikely and unpredictable. Given these uncertainties, our report focuses on current governmental policies and levels of spending. We recognize that government action is only one element in the process of urban development and decline. And, while it may not be a sufficient condition for turning the tide, it is certainly a necessary one.

We believe that to alter these projections significantly quantum leaps must be taken in public policy and levels of spending.

It is apparent that segregation by race and income in our great metropolitan areas is outstripping whatever we are now doing to offset it. The Task Force knows that integration will require more than laws and federal policies, but we suggest the place to start - a line of policy which will build towards a future breakthrough.

In summary, the Task Force identifies as a problem of the greatest national urgency the growth and poverty of central city ghettos and the related race and income segregation in urban areas.

- 1) We believe that this situation already provides a driving force in urban decline and that its effect is increased by the unequal pattern of urban development.
- 2) We are convinced that a dramatic confrontation between white and Negro, affluent and poor, growth and decline already is building in most of our urban areas.
- 3) In the absence of state, federal and local action on a wide front accompanied by enlightened private activity, these problems will grow larger, more dangerous to American society and increasingly difficult to solve.

* * * *

We therefore recommend a series of strategies designed to:

1. Increase individual access to jobs, education, income, housing and other social services.
2. Increase racial and income integration in metropolitan areas.
3. Increase the proportion of middle-class population, especially Negro, in central cities.
4. Increase the ability of new immigrants to adjust to urban life.
5. Increase the ability of all levels of governments to deal with these problems.

* * * *

Meeting the goals will be costly and difficult. It will require, in our judgment, a well organized process of innovation, focusing resources at scale, moving towards increased flexibility and strengthening the position of mayors, some governors, urban universities and others who can be counted as urban allies. Our strategy for urban change and the recommendations which flow from it is designed to overcome five critical limits or present abilities for meeting urban goals.

- 1) Capacity is limited by difficulty of effecting metropolitan integration directly.
- 2) Capacity is limited by city and state fiscal and administrative weakness.
- 3) Capacity is limited by the dispersion and low level of Federal assistance to cities.
- 4) Capacity is limited by Federal procedures, program practices, centralization, and inflexibility.
- 5) Capacity is limited by the state of the art for solving urban problems.

The five sets of recommendations which follow are intended to outline a strategy which will increase significantly the ability of Federal, state and local governments to respond to the problems posed by urban segregation and disparities.

I. Increasing race and income integration in urban areas

The Problem

Of all the problems the Task Force has addressed, none is more vexing than the question of devising effective strategies to integrate metropolitan areas. We nonetheless believe that the highest priority must be given to integration. Without it, ghetto families will be denied the opportunities enjoyed by the urban majority; they will be forced to live in the least attractive housing at increasing distances from the growth sector of the urban economy; and the problems of a disaffected minority will be concentrated in the central cities.

Although improving the standard of living is absolutely essential if ghetto residents are to move into the mainstream of American life, it is illusory to believe that enrichment alone will guarantee integration. The residential patterns of every American city and metropolitan area document the fact that income does not provide Negroes with the same freedom of choice that other Americans enjoy in the urban housing market. Equally important, the decentralized political system of the metropolis employs land use and other public controls to limit severely housing opportunities in suburbia for all lower income families.

A prime impediment to the dispersion of the ghetto is the fact that large numbers of city dwellers and suburbanites are opposed to residential integration and integrated education. In the

central cities, the opponents of integration usually have more influence at City Hall than the residents of the ghetto. In the suburbs, the Negro has no political voice; and the local political system employs a variety of devices to satisfy its constituents' desire to exclude Negroes in particular, and lower income families in general, from their neighborhoods.

As a practical matter, an integration strategy must encompass the metropolitan area. Given the projected ghetto growth rates and the likelihood of Negro majorities in a number of major cities, integration cannot be accomplished within the confines of the central city. In fact, an integration strategy which excludes the suburbs would only serve to hasten the exodus of white families from the central cities.

Another reason for developing dispersion strategies in a metropolitan context is the fact that the housing market functions over an entire metropolitan area. Operating within a local rather than metropolitan context, federal housing programs, especially those aimed at the disadvantaged, have done little to foster dispersion. In fact, more often than not, these programs have encouraged residential segregation.

Few metropolitan areas have governmental arrangements which would permit the development and implementation of a metropolitan-wide integration strategy. Even fewer are populated by a significant number of suburbanites who have demonstrated a positive interest in an integrated metropolis. Instead, most metropolitan

areas are governed by highly decentralized political systems. Local governments of small scale control the vital parameters of community life - the schools, land use, and the tax base. Highly responsive to their relatively homogenous clientele and sensitive to threats to local autonomy or the tax base, most suburban governments show little interest in assuming any responsibility for the general welfare problems of the metropolis.

Efforts to create metropolitan governments have been spectacularly unsuccessful. Moreover, political realities and the proclivities of white middle class reformers have led almost all metropolitan government plans to focus on service and physical resource problems. The Task Force knows of no metro proposal that gives serious attention to the problems of the ghetto. Nor is there any evidence that the few metropolitan governments created in the past two decades have used their broader jurisdictions to attempt to foster the integration of the metropolis.

Federal efforts to encourage metropolitan planning and coordination also have avoided the policy areas most likely to affect the pattern of residential segregation. Substantial progress has been made during the past few years toward securing regional approaches to transportation, air pollution, and water supply. Conspicuously absent from this list are programs that might be used to promote integration, such as public housing, rent supplements, and aid to education. The

sad truth is that the emerging metropolitan institutions are concerned almost exclusively with the problems of suburban development and white middle class families in cities and suburbs. Unless there is a radical change in the outlook of these planning and review agencies, they are likely to widen the gap between city and suburb.

Finally, open housing legislation has had minimal impact on integration in the metropolis. In the absence of national legislation, there is a bewildering variety of state and local fair housing codes. These nearly always exempt the most common form of suburban housing - the single family dwelling. Another major weakness is the cumbersome, case by case approach based on individual complaints, a process which requires legal sophistication and/or support which usually is unavailable for the ghetto dweller. The federal government's record in this area is also unimpressive - neither FHA nor VA have moved aggressively to secure maximum impact from the 1962 executive order banning discrimination in housing financed by federally guaranteed mortgages.

Recommendations

1) National performance standards (see Section IV) should stress integration as an integral aspect of general development programs.

2) Incentive grants (see Section IV) should be used to encourage general development programs for entire

metropolitan areas which would tie federal support for suburban improvements to progress toward ending the racial and income imbalances between cities and suburbs.

3) Some form of incentive grants, particularly for metropolitan areas, should be tied specifically to housing and education programs which foster integration, such as scattered site public housing, educational parks, etc.

4) Section 204 of the Demonstration Cities and Metropolitan Development Act should be expanded to cover programs that affect housing.

5) All federal housing programs should place a strong emphasis on dispersion, including the relocation policies in urban renewal. Federal mortgage policies should be developed to encourage the construction of lower cost housing units through relating down payments, interest rates, and the repayment periods to the cost of the unit. Such a policy should include the use of subsidized mortgages where appropriate.

6) A comprehensive national fair housing act with the broadest possible coverage should be enacted. An executive order should be issued prohibiting segregation in all forms of housing assisted directly or indirectly by any federal agency. The order should be positively enforced, using the techniques developed in the federal government's efforts to eliminate job discrimination in all forms of federally financed employment.

7) The federal government should stimulate the creation of and provide financing for metropolitan development corporations which would undertake to provide integrated low-cost housing outside of ghettos. The federal government would provide initial working capital and extend long term credit from a national revolving fund. Such corporations would accumulate land for integrated housing, provide assistance in job location for out-migrants, and aid suburbs in preparing effective education programs for new residents.

8) Because job opportunities are likely to open up faster than housing opportunities, we recommend a program of transportation assistance with the following characteristics.

- a) Responsive to changing locations of both jobs and workers.
- b) Focused on initial period of "job finding" and "job holding."
- c) Transferable from one individual to another depending on need.
- d) Non-competitive with the private market.

Where such travel is relatively concentrated, this demand can be met through subsidized public transportation. For more dispersed travel from ghetto residences to suburban jobs, short term publicly-assisted automobile leasing arrangements will be needed.

9) The Administration should realize that the greatest potential lever for change in this area is the courts.

The Task Force urges the Administration to hasten the inevitable Supreme Court rulings which will ban de facto school segregation and the employment of land use controls for social, economic and racial discrimination. Given the revolutionary impact of these anticipated rulings, it is not too early to begin contingency planning to assure their speedy implementation with a minimum of public disorder.

II. Federal action to strengthen city and state capability for meeting the problem of urban disparities

Problem

Implementing the strategies for urban change discussed in this report depends ultimately upon actions taken by state and local governments. We assert that strengthening the positions of governors and especially mayors will be of critical importance in this process. Their ability to deliver services is seriously limited by administrative weakness and fiscal strain. Yet they are the only public officials with the potential authority necessary to effectively manage the large-scale attack on urban problems which we believe is essential. They too - and our population projections indicate that this is certainly true of mayors - will be under increasing pressures to respond to the frequent, now almost steady state, urban crisis of poverty and segregation.

The administrative problem breaks along the following lines:

- Fragmentation of program responsibility among semi-autonomous agencies, often reinforced by their counterparts at the federal level, bypasses and weakens the position of mayors and governors.

- State and local officials are under direct and close pressures to deliver and their high political mortality rates indicate that delivery is enormously difficult in the present system.

- State and local government is in a disadvantageous competitive position for directing talented, imaginative staffs. The political executives management problems are compounded by the lack of personal staff; there are few institutions analagous to the executive office at the state and local level.

- Possibilities for a meaningful decentralization to federal field offices are severely limited by the realities of political authority in the federal system and by present congressional-bureaucratic arrangements in Washington.

- Local officials must conduct an enormous number of negotiations with truncated federal agencies to receive any aid.

At the same time the cost of urban services is on the rise. We can expect increasing per capita costs for social services and we can expect an increasing proportion of city dwellers to require them. The cities thus are caught in a process of cumulative deterioration which can be reversed only by shifts in the residence of poor people or higher income by city residents. The problem is particularly acute for large cities. During fiscal year 1965, for example, municipal expenditures per capita were approximately three times as high for cities with populations exceeding 1 million as they were for communities with populations under 50,000. In short, we see the following as critical limits on cities to pay their own bills:

- Cities are under increasing demands for social services while their revenue capabilities are increasingly inadequate to pay for even existing levels of services.

- Social service costs are rising more rapidly than other costs in the economy.

- Some cities are already in danger of becoming populated almost exclusively by people who can simply not afford to live elsewhere and whose need for services is very great.

- Problems of raising additional revenue within jurisdictions such as cities are immense, due in part to the high mobility of resources between states and localities in the federal systems. Cities are forced to rely heavily on property and consumption taxes, both of which are highly regressive in nature.

- The dependence on property taxation on housing for city revenues may be a positive detriment to providing more standard units for the urban poor.

Recommendations

1) Regardless of past failures the population projections and trends we foresee clearly indicate that most mayors and many urban governors, of necessity, will be increasingly responsive to the problems of city ghettos. They can be the President's most important allies in fulfilling our national urban goals. They must be the focus of any meaningful decentralization of the federal system.

2) In addition to the fiscal flexibility and decentralization recommended below, we urge that present aid programs operate through the political executive and not semi-autonomous bureaucracies.

3) To build toward a capability similar to that of the federal executive office, we recommend direct grants to mayors and governors for staff assistants on city problems.

4) To increase the competence of state and local government personnel we recommend increased federal assistance for training and continued efforts in the direction of inter-governmental exchanges of personnel.

5) Legislation should be promoted permitting state and local governments to waive federal tax resumption of securities in return for a federal grant equivalent to the federal taxes collected on the interest from such securities. Some estimates indicate that this could result in an added .6 to 1 billion dollars per year.

6) Federal assistance to cities should be significantly increased; and the existing impediments to the effective use of federal aid at the local level should be eliminated. The components of this recommendation are presented in detail in Parts III, IV, and V below.

III. Focusing and increasing the level of Federal
assistance to cities

The Problem

1. Many of our present programs fail to reach the central city poor with enough resources to make a difference.

2. Simple extension of present programs - leaving effectiveness aside - to reach the central city poor would cost in manpower, education, health, housing and legal services _____ billion dollars a year.

3. Unless we reach a scale of sufficient size we will find as we have found in the past our efforts are dissipated by trying to reach too many people, in too many cities, with too many programs.

4. Policy responsibility at the Federal level must be focused in strengthened urban agencies.

Recommendations

The following programs are meant to focus resources on increasing urban integration and enriching the lives of those who remain in big city ghettos. In each program area, we have attempted to order our recommendations in terms of some rough priorities and time phases with employment having the highest overall priority.

Our expertise in the following program areas is limited. We have listed only recommendations which seem to us to be most relevant to an overall city strategy. Our suggestions are in no sense exhaustive.

We hope to:

- Overhaul existing programs and redirect existing resource commitments to increase their impact on the ghetto.
- Increase commitments in the most critical program areas for implementing broad goals.
- Develop new approaches to tackle those aspects of ghetto enrichment and dispersion not affected by existing programs.
- Tie Federal assistance to disadvantaged individuals where appropriate.

1. Employment

A. The Task Force recommends the consolidation of presently separated manpower programs into a single comprehensive manpower grant. This move would allow development of sufficient local manpower programs under the aegis of a single agency which would absorb the important functions of recruitment, selection, and processing, training, placement and follow-up of the poor. This step

would include consolidation of those programs administered by the U. S. Department of Labor including institutional training, on-the-job training, neighborhood youth corps, concentrated employment program in the employment service with the Vocational Rehabilitation and OEO employment operations.

B. In the absence of significant consolidation programs, the Task Force recommends an expansion and refocusing of the on-the-job training program to provide higher subsidies to private industry for training of the poor. Reimbursement for training costs should be doubled and perhaps quadrupled and the 26 weeks presently allowed should be expanded to a full year. OJT should be provided with a greater staff for job development and for counseling and follow-up after placement in a job training position.

C. In order to compensate for the decline of manufacturing and commercial jobs in the city, the Task Force recommends an expansion in public employment through the new careers idea as embodied in the Scheuer Amendment to the Economic Opportunity Act. New careers provides entry level employment for the poor with meaningful upgrading in work and professional training.

D. The Task Force recommends an increased number of demonstration projects - of all types - to test the important relationship between deficient transportation to work sites and the willingness and ability of city residents to accept training and employment.

E. The Task Force recommends a joint effort by HUD and the Department of Labor to negotiate a national model agreement for employment with the building trade unions, which would permit large-scale slum rebuilding experiments to make greater use of slum residents. We recognize that the implementation of this recommendation would not solve any significant proportion of the employment problem but it would have useful symbolic value in the ghettos of central cities. The Department of Commerce should be involved to reach similar agreements with employers in the construction industry.

F. As a long-run possibility, we suggest a program which would operate much like the GI Bill of Rights which would place entitlements in the hands of the poor to maximixe personal choice in selecting educational, training and employment assistance. The funds could be used by the individual to gain certification in regular educational institutions or for training on the job with the employer receiving reimbursement for his training costs. The great

advantage of this approach is in avoiding the seemingly endless tangle of referrals, delays, and insensitivity encountered in the present, fragmented system.

2. Education

A. Any program of Federal aid for elementary and secondary school construction should offer incentives for facilities designed to increase the integration of students. "Bonus" funds could be available for educational parks within cities, suburban exchange schools and for consolidated school districts. Funds should also be included for the modernization and replacement of older school plants in central cities.

B. We recommend a program of educational subsidies for low-income children which would be administered as scholarships for use at any approved elementary and secondary educational institution. "Bonus" funds could be available for schools which are integrated or are experimental.

C. Sizer recommendations (see paper)

3. Special recommendations for urban veterans

A. We give the strongest endorsement to Department of Defense Manpower programs, such as "Project 100,000" and "Project Transition".

B. We recommend a stepped-up outreach activities in the Veterans Administration to trace those with the greatest need for assistance at the point of separation and especially after separation.

C. We urge FHA and VA loans to servicemen and veterans to finance proposed or existing individually owned one-family units in projects containing five or more units.

D. We recommend that VA be given a special mandate and the capacity to assist ghetto veterans in obtaining such urban skills as planning, social service work and community developments.

4. Income maintenance and welfare

A. Any well conceived strategy for the city requires substantial increases in consumer demand. City dwellers need a sustained and substantial upward movement in payment levels for

(1) unemployment compensation

(2) welfare payments

(3) minimum wage

B. The present welfare system must be altered to make it a more effective instrument in dealing with ghetto dependence.

- (1) Altering AFDC man in the house requirements to permit
- (2) Altering outside income requirements to eliminate the in-effect 100% income tax rate and thus encourage

C. We should move towards having a larger proportion and perhaps all welfare payments at the Federal level. Continued reliance on localities and states for a share places an added strain on their frequently regressive tax systems and inhibits the development of more reasonable national standards for welfare.

5. Public Facilities

A. We urge greater use of the location of public facilities - both Federal and Federally supported - as a lever in securing actual integration, open housing and employment opportunities. Those facilities which can be located in cities, especially community colleges and hospitals, should be considered a part of overall development and city enrichment plans. Public employment for low-income groups should be related to any new facility - including those in the suburbs. This new focus of responsibility should become a major concern of the Secretaries of HEW and HUD.

B. The Department of Housing and Urban Development should be given a primary role in coordinating all Federal urban capital investment as part of national integration and enrichment strategies.

6. Housing

A. To achieve integration there must be continued emphasis on compliance with desegregation guidelines in housing financed through the Federal mortgage programs. This is especially important in suburban developments which will account for 90% of the new housing over the next 25 years.

The flow of resources into financing housing is affected by interest rates, alternative investment opportunities, and other forces, some of which are greatly influenced by Federal policy.

B. Lower interest rates to stimulate a minimum annual construction rate in housing should be a national objective. The effects of low interest rates on the supply of low- and moderate-housing "swamps" the effects of Federal "housing programs" as such.

C. Investment incentives such as tax credits and depreciation schedules should be applied to housing in the same way that they are applied to other capital goods.

Every mechanism for maintaining a constant flow of investment into housing should be explored by the Administration. These might include the issuance of longer term certificates at higher interest rates to attract the investing power of pension funds and insurance companies. Certificates should be issued by the Federal National Mortgage Association.

D. The Task Force recommends expanded use of devices such as leased, scattered site public housing rehabilitated through use of the "turnkey" approach with purchase options for the tenants.

E. Homeownership incentives for central city ghetto residents similar to the Veterans' Administration's no-down payment programs should be offered.

F. The Task Force recommends that the multi-family mortgage operations be separated from the present Federal Housing Administration which would then be charged with insuring only single-family mortgages.

In the absence of such surgery, we believe that the age and inflexibility of most FHA officials renders any alternative recommendation unworkable.

7. Special Recommendations on the Community Action Program

a) The Task Force believes the community action idea is a major innovation in Federal programming and reflects the emphasis on demonstration and experimentation which is critical for increasing our problem-solving capacity.

The Community Action Program should be retained within an independent OEO with its charter for flexible and innovative programs.

b) A first step toward employing performance criteria in distributing scarce CAP funds should be taken.

These criteria should include the CAP's innovative capacity, its ability to coordinate other relevant agencies and to operate its own programs.

c) Demonstration funds should be increased accompanied by tighter research controls applied to projects.

d) Guidelines to insure CAP participation in Model Cities planning and execution should be promulgated.

e) The development of community action agencies as parts of the local political and governmental system should be encouraged.

IV. Reforming the administration of federal urban programs to provide simplification, flexibility and decentralization

The Problem

The American federal system is being slowly strangled by the complexity of contemporary intergovernmental relations. Cities and states are fighting a losing battle to extract maximum advantage from a bewildering variety of federal assistance programs. Administrative shortcomings seriously compromise the prospects of many of the imaginative federal programs developed in recent years. The Task Force has grave doubts about the capacity of this over-burdened system to manage the new efforts needed to move the ghetto resident into the mainstream of American society.

By accident rather than design, the federal government has created an extremely categorical, fragmented, and complicated approach to urban programming. Each program area tends to develop its own set of specific program goals and controls, a close relationship with a specialized clientele, and a narrow perspective on the problems of cities and suburbs. Because the federal government seeks to achieve general policy objectives through highly detailed program controls, most federal programs are characterized by an overcentralization of detail, administrative rigidity, long delays in processing applications, a multiplication of required consents, a failure to innovate, and a lack of responsiveness to specialized local needs. Cities

confront delay and confusion in the funding of their programs; they witness an inability of federal agencies to work with one another in making sense of federal programs in urban areas.

The burdens of an already overloaded system of intergovernmental relations have been multiplied by the rapid expansion of federal domestic programs during the past seven years. Most of the new programs are categorical and involve detailed federal program controls. In an effort to advance laudable national policy goals, such as metropolitan coordination and highway safety, additional detailed requirements have been imposed on existing programs. The net effect has been to complicate further the bureaucratic maze that stands between federal resources and urban problems.

The Task Force is especially concerned about the failure of the federal government to build sufficient flexibility and opportunities for state and local discretion and innovation into the federal aid system. Many of the problems of large city ghettos are quantitatively and qualitatively different from those of the poorer neighborhoods of smaller cities. Solutions to many of our most vexing urban problems are neither obvious nor universally applicable. Yet relatively few federal programs permit the development of locally-determined strategies for cities and metropolitan areas.

In its stress on local innovation and flexibility, the Model Cities Program represents a welcome departure from the

rigid programmatic approach. By emphasizing systematic planning and coordination of federal categorical grant programs, Model Cities seeks to reduce overlap and duplication of effort. But constituent-agency relations, formula grants, inflexible requirements, and specialized administrative practices tax the ability of any city to tie these many disparate strands into an effective program. In addition, Model Cities program standards are added to those required by the component programs without any compensating simplification of the process whereby applications for assistance are approved. Innovation, flexibility, and coordination are easily stymied by a process whose practical effect is to pyramid requirements, multiply consents, and increase the time lag in bringing resources to bear against problems.

The Task Force is impressed with neither the record nor the potential of existing instruments for securing interagency coordination of grant programs, such as Bureau of the Budget intervention to resolve interagency conflict, interagency committees, the metropolitan expediter, and HUD's convenor order. The Administration's experience with the community action program and the neighborhood centers unhappily indicates that substantial coordination cannot be achieved at the federal level without substantial changes in the grant-in-aid mechanism.

The massive effort needed to overcome the problems posed by the ghetto will be financed largely by some form of federal

grant-in-aid. To the degree that such grants are programmatic, the Task Force is convinced that it is absolutely essential to streamline and simplify the distributive mechanisms. Instead of extending and expanding categorical aids, the Administration should stress consolidation, decentralization, and flexibility.

In the opinion of the Task Force, however, fragmentation, administrative complexity and rigidity, overcentralization of detail, inadequate coordination, and lack of innovation are endemic to the programmatic approach. Even the most imaginative reforms are likely to have only a marginal impact if grant programs continue to multiply at their present rate. Of course, this growth rate would be accelerated if all the Task Force's recommendations were translated into individual grant programs.

An increased federal commitment to urban problems and a national effort focused on ghetto deficiencies requires a substantial reorientation of roles and responsibilities in the federal system. The Administration began this task with the development of the Poverty and Model Cities programs. The Task Force believes the time has come to expand the application of these concepts through the development of a highly flexible, locally-based system of grants-in-aid which substitutes general purpose assistance for programmatic grants and national performance standards for detailed program controls.

It should also be noted that the recommendations have been designed to permit the partial application of these concepts.

Thus, the implementation of these proposals may be staged over time, with the most promising program areas selected for initial treatment. It also will be possible to retain federal program standards in those areas where such controls are deemed in the national interest.

Recommendations

1) Application, processing, and review procedures should be streamlined in all non-formula grant-in-aid programs. The goals of internal program reform should be: (a) to simplify application procedures through the development of standardized methods; (b) to reduce sharply the time between application and approval or rejection of a grant request; (c) to reduce multiple consents; (d) to check the trend toward pyramiding requirements; and (e) to employ standardized review and audit procedures. Responsibility for the implementation of this recommendation should be lodged in the Bureau of the Budget.

2) Greater use should be made of earmarking of grants to facilitate the funding of programs like Model Cities and community action which cut across program and agency lines. This device should be used to enhance the focusing of federal resources on ghetto problems.

3) Whenever possible, new grant programs should be merged with existing programs. Consolidation of related grant programs, along the lines of the Partnership in Health Act of 1966, should be given high priority. Grant consolidation reduces the number

of separate negotiations which any jurisdiction would have to carry on in order to design relatively comprehensive local programs.

4) Provision should be made for consolidated applications for two or more related grants administered within a single department. Such intra-agency grants would permit a state or local agency to deal with a single representative of the appropriate department when applying for related grants.

Implementation of this recommendation requires the establishment of an intra-agency grant office within each department, preferably in the office of the secretary. The intra-agency grant office would receive and process the application for an intra-agency grant, coordinate the review of the application with the appropriate agencies within the department to insure that program standards were being met, and act as the final granting authority, subject to appropriate review at the departmental level.

5) Provisions should be made for consolidated applications for two or more related grants administered by agencies in two or more departments. Such inter-agency grants would permit a state or local agency to deal with a single federal agency when the federal grants needed to finance a comprehensive project are administered by two or more departments. Implementation of this recommendation requires the designation of an agency to receive applications for inter-agency grants, to coordinate the review of the application with the appropriate agencies to insure

that program standards are being met, and to act as the final granting authority, subject to appeal by the appropriate departmental heads. The Task Force believes that the inter-agency grant coordinating function should be assigned to the same agency which is designated as the principal federal urban agency, as recommended in Part III above. Legislation to implement this recommendation would not authorize the waiver of statutory provisions such as eligibility for grants, matching ratios, or program duration.

6) Performance standards should be substituted for detailed program standards wherever feasible. Standards should be simple, general, quantifiable where possible, and applicable to a wide variety of contexts. Performance standards should relate to general societal goals rather than to specific program objectives. Thus, a housing performance standard might be the proportion of substandard dwelling units, not the number of public housing units. National performance standards should focus on the urban goals of integration and enrichment.

7) The substitution of performance standards for program controls should be accompanied by the pooling of funds in existing grant programs. An essential first step in pooling is the establishment of functional pooling arrangements which permit

the unrestricted use of funds in a general functional area, such as housing, manpower training, health, or transportation. In housing, for example, public housing, urban renewal, and rent supplement funds would be pooled, to be employed by the appropriate local or state agency to implement a comprehensive housing program. All programmatic restrictions would be removed from the use of pooled funds; thus, funds derived from the public housing program might be used to finance rent supplements, rehabilitation, code enforcement, or some other locally devised strategy designed to overcome housing deficiencies.

8) Where federal funds are functionally pooled, the basic requirement for eligibility should be a comprehensive program in the functional area which relates local deficiencies and needs to the appropriate national performance standards. Comprehensive housing, manpower, health, or transportation programs should be developed by the appropriate local or state agency. Comprehensive programs would specify local deficiencies in terms of national standards, set forth program goals to meet the national standards, and indicate in a general way the projects to be undertaken to reach the program goals during the life of the comprehensive program. When all funds functionally pooled are from programs within a single agency or department, that agency or department should approve the comprehensive program and monitor its implementation. When functionally pooled funds are drawn from two or more departments, the principal federal urban agency recommended

in Part III should approve the comprehensive program and monitor its implementation.

9) Provision should also be made for the pooling of federal funds across functional lines. Under this type of arrangement, some or all of the federal aid flowing into a neighborhood, municipality, county, metropolitan area, or state would be pooled, with all programmatic restrictions removed from the use of the pooled funds. Eligibility for general pooling should be based on the preparation by the appropriate local or state unit of a general development program based on national performance standards. General development programs would be similar to the comprehensive functional programs discussed in the previous recommendation, except that their scope would be substantially broader. General development programs would be approved by the principal federal urban agency recommended in Part III, which would also monitor the implementation of the general development program.

10) To facilitate the preparation of comprehensive functional programs and general development programs, federal technical assistance and planning aid should be expanded. In the case of comprehensive functional programs involving two or more agencies, and in all instances of general development program preparation, technical assistance and planning aid should be funneled through the principal federal urban agency as recommended in Part III. As a first step toward implementing the previous recommendations, the federal government should finance the preparation of a

number of comprehensive functional programs and general development programs by a variety of local and state units.

11) The federal government should initiate a program of general purpose assistance to local and state governments. We recommend that two types of general purpose grants be developed - deficiency grants and incentive grants.

a) Deficiency grants are general purpose formula grants designed to provide supplemental federal assistance for local units, the magnitude of which would be related to need and capability. An equalization formula to accomplish this purpose would be based on population, per capita income, tax base, tax effort, and perhaps other measures of social, economic, and infrastructure deficiencies. Deficiency grants could be used by the recipient local or state unit for any public purpose consistent with a general development program. Eligibility for deficiency grants would be determined by the principal federal agency recommended in Part III through its approval of a general development program. Given the magnitude of the ghetto problem, the Task Force recommends an initial outlay of \$ billion for deficiency grants, which would provide \$ per ghetto dweller.

b) Incentive grants are general purpose grants distributed by the principal federal agency recommended in Part III. Incentive grants could be used to supplement pooled

funds or interagency grants. The availability of general purpose agency grants should enhance the ability of the principal federal agency to promote inter-agency grants, pooling arrangements, and comprehensive functional and general development programs. A significant proportion of incentive grants should be used to stimulate the preparation and implementation of general development programs which give high priority to ghetto problems, especially integration.

V. Increasing knowledge of solutions to urban problems

The Problem

The Task Force believes that if this society were ready to commit the resources required for its cities, new technologies and knowledge could make our efforts more effective and relevant than is presently possible.

We emphasize the advantages of the Federal government as a funder, controller and evaluator of demonstrations and experiments - an advantage which is readily apparent in the aerospace industry. This advantage is presently being dissipated by fragmentation of problems by agency mission, lack of long-term financing of experimentation and basence of sensitive feedback mechanisms to influence policy-making. In addition, the efficiency of our efforts to solve urban problems may be limited by the small scale of our programs and even demonstrations.

Recommendations

1. The flexibility and emphasis on innovation characteristic of the Model Cities Program should be exploited by concentrating resources - as far as possible - on 4 or 5 cities and/or metropolitan areas capable of implementing well-structured and controlled experiments.
To achieve this would require at least the following:

-- Assignment of responsibility for the design and evaluation of the experiments to the new Assistant Secretary for Research and Development in DHUD.

-- Informal allocation of resources from agencies other than HUD, (for example, project demonstration monies in HEW and Labor) for use in the selected cities.

-- An aggressive Federal role in providing technical assistance to these "key" cities.

2. The creation and funding of an institute for basic urban research, along the lines of RAND or IDA in the defense area. The institute should be Federally funded, independent of day-to-day departmental control and able to undertake long-term research projects. Initially, the institute would not undertake operation or funding of action projects, but would concentrate on basic research into urban economics, data collection and analysis, etc.

3. A strengthened and better-financed demonstration and experimentation role for DHUD and its Assistant Secretary for Research and Development. This should include the ability to finance long-term projects independent of fiscal year restrictions and development and action projects in fields other than housing. A high premium should be placed on joint funding with other agencies for projects cutting across several service sectors.

4. The evolution of a developmental organization which can undertake large-scale investments in new systems, such as new housing ideas. This institution might be developed by the Assistant Secretary for Research and Development in DHUD. It should have the funds, flexibility and authority to underwrite construction of new types of schools or hospitals or houses on a scale large enough to make a difference. This agency also could expend the developmental work done by OEO in basic manpower and health systems, or combine them with the physical elements of a sector. The first target of large-scale development should be constructing more efficient and flexible low-and moderate-income housing.

5. The capacity of local and state governments to undertake research and development should be increased with the aid of positive Federal action. Subsidies to regional or urban universities are one means of achieving this; financing of research staffs for governors and mayors is another. Federal programs, such as Model Cities and Community Action, which stimulate innovative and experimental action projects should be expanded as the best hope for building local development capacity.

6. We believe the natural advantage enjoyed by the Federal government for financing and evaluating research and development should be strengthened in all departments. Within department, R&D outputs should feedback to the Secretary to insure that R&D projects affect on-going programs and policies and open new directions. Responsibility for monitoring government-wide urban R&D activity should be centralized either in the Executive Office or in HUD. Without centralization, the results of research in one agency are not likely to become inputs in the policy-making of another.